

Message Text

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TO USMISSION GENEVA PRIORITY

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FOLLOWING REPEAT LONDON 9200 ACTION SECSTATE INFO ACCRA ABIDJAN
BERN BONN BRASILIA BRUSSELS LAGOS MOSCOW MADRID OTTAWA PARIS
SANTIAGO STOCKHOLM THE HAGUE YAOUNDE GENEVA OECD PARIS EC BRUSSELS
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QUOTE

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SUBJECT: COCOA: FIRST PREPCON FOR NEGOTIATION OF NEW
INTERNATIONAL COCOA AGREEMENT

REF: A) STATE 136045; B) STATE 136354

1. SUMMARY. DESPITE TRUNCATED SCHEDULE, THE FIRST
PREPCON FOR A NEW INTERNATIONAL COCOA AGREEMENT WAS
REASONABLY SUCCESSFUL IN MEETING DOCUMENTARY REQUIREMENTS
IMPOSED BY UNCTAD FOR FORTHCOMING COCOA NEGOTIATION AND
FOR INTERCHANGE OF VIEWS. DOCUMENTATION, APPROVED BY
INTERNATIONAL COCOA ORGANIZATION (ICCO) COUNCIL ON
JUNE 13, CONSISTS OF A WORKING PAPER INCLUDING TEXT OF
PRESENT AGREEMENT PLUS SUGGESTIONS AND COMMENTS BY
SECRETARIAT AND MEMBERS. MOST CHANGES WERE PROPOSED BY
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PRODUCERS, WITH GHANA (AGAMA) AS SPOKESMAN. A FEW CON-
SUMER SUGGESTIONS, MOSTLY BY EEC, ALSO PUT FORWARD.
UNCTAD JULY 15 DEADLINE FOR DOCUMENTATION HUNG OVER PREP-
CON AND KEPT UP PRESSURE. WHILE FORMALLY COMPLYING WITH

UNCTAD REQUIREMENT, ICCO COUNCIL MADE CLEAR THAT PROPOSALS COULD STILL BE SUBMITTED AND LAID ON ADDITIONAL PREPCON MEETING AUGUST 11-22 FOR CONTINUING WORK IN PREPARATION FOR SEPTEMBER 22 GENEVA CONFERENCE. END SUMMARY.

2. SECRETARIAT ANNOUNCEMENT OF JULY 15 UNCTAD DEADLINE FOR SUBMISSION OF WORKING PAPERS MEANT THAT PREPCON WOULD HAVE TO COMPLETE ITS WORK IN ONE WEEK INSTEAD OF IN TWO SESSIONS AS ORIGINALLY PLANNED. THIS CREATED CONSTERNATION AMONG CONSUMERS. ALL SEEMED TO HAVE ARRIVED WITHOUT DETAILED INSTRUCTIONS IN BELIEF FIRST SESSION WOULD BE PRELIMINARY. CONSUMERS AGREED THAT PRESENT SESSION SHOULD MAKE PRO FORMA ATTEMPT TO MEET UNCTAD DEADLINE, BUT INSISTED SECOND SESSION BE SCHEDULED IN AUGUST IN ANY CASE IN ORDER TO MAKE MORE SUBSTANTIVE PROGRESS (SUBSEQUENTLY ACCEPTED BY COUNCIL AND MEETING WAS SCHEDULED FOR AUGUST 11-22). CONSUMERS, WITH USDEL SUPPORT, TOOK INITIATIVE IN GETTING PREPCON AGREEMENT THAT DELEGATES SPOKE IN PERSONAL AND NONCOMMITTAL TERMS AND THAT SESSION WAS IN NO WAY A NEGOTIATING MEETING.

3. MOST DELEGATIONS FELT MORE WAS ACCOMPLISHED THAN THEY ORIGINALLY EXPECTED. PRODUCERS PRESENTED A COORDINATED POSITION OUTLINING DESIRED CHANGES IN THE AGREEMENT, HAVING COORDINATED THEIR POSITION IN MEETINGS IN ABIDJAN DURING MAY. PRODUCERS PACKAGE SIMILAR TO THAT PRESENTED AT EARLY STAGE OF COFFEE RENEGOTIATIONS, INCLUDING AUTOMATIC QUOTA ADJUSTMENTS AND PROVISION FOR ADJUSTMENT TO CHANGES IN EXCHANGE RATES. IN THE ENSUING DISCUSSIONS ON THE PRODUCER POINTS THE US DEL JOINED OTHER CONSUMERS--NOTABLY, SWEDEN, THE NETHERLANDS, THE USSR, THE UNITED KINGDOM AND CANADA--IN EXPRESSING SERIOUS DOUBTS BORDERING ON DIRECT OPPOSITION ABOUT THE FEASIBILITY AND EFFICACY OF THIS ASPECT. IN ORDER TO BALANCE OUT WHAT PRODUCER SUGGESTIONS WERE TO BE FORWARDED TO UNCTAD, A FEW CONSUMER SUGGESTIONS FOR CHANGE WERE SUBMITTED ALSO (BY LIMITED OFFICIAL USE
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SWITZERLAND, THE EC AND CHILE). IT WAS UNDERSTOOD THAT ALL PARTICIPANTS RESERVED RIGHT TO MAKE FURTHER PROPOSALS AT A LATER TIME, INCLUDING EC MEMBER PROPOSALS ON AN INDIVIDUAL BASIS. EC COMMENTS SUBMITTED AT THE PREPCON CENTERED ON BUFFER STOCK OPERATIONS, INCLUDING ITS SIZE, PURCHASE POLICY AND SALES, AND INCLUDED A STATEMENT ON THE QUOTA ADJUSTMENT MECHANISM.

4. THE EC INTER ALIA PROPOSED A TIGHTENING OF REGULATIONS ON MEMBER EXPORTS TO NON-MEMBERS WHEN PRICE IS ABOVE THE MAXIMUM STIPULATED IN THE AGREEMENT AND THERE APPEARS TO BE A PERIOD OF INSUFFICIENT SUPPLY IN PROS-

PECT. THESE MOVES APPEARED TO BE AN ATTEMPT AT MEMBER SUPPLY ASSURANCES AT THE EXP SE OF NON-MEMBERS IF NECESSARY IN TIMES OF HIGH PRICES, SUCH AS THOSE WHICH HAVE PREVAILED SINCE THE FIRST AGREEMENT CAME INTO EFFECT.

5. THE U.S. ROLE IN THE PLENARY WAS RESTRAINED, BUT ACTIVE IN THE CONSUMER CAUCUS AND IN THE WORKING PARTY OF CONSUMERS MADE UP OF THE UNITED STATES, UK, SWITZERLAND AND THE FRG. AT THE PLENARY THE U.S. THANKED MEMBERS FOR INVITING US TO FULL PARTICIPATION AND EXPRESSED OUR INTENT TO PARTICIPATE CONSTRUCTIVELY IN THE PREPCON AND AT THE GENEVA NEGOTIATIONS. REFERENCE WAS MADE TO SECRETARY KISSINGER'S STATEMENT ON COMMODITIES AT THE OECD ON MAY 28. THE U.S. CAREFULLY MENTIONED THAT NO COMMITMENTS COULD BE MADE AND THAT WE SAW THE PATH AHEAD AS NOT NECESSARILY AN EASY ONE (LATTER POINT WAS UNDERLINED FORCEFULLY, IF INDIRECTLY, DURING PLENARY WHEN USDEL BRIEFLY ADDRESSED THOSE POINTS OF PRODUCER PROPOSALS WHICH IN OUR OPINION WOULD NOT FIND FAVOR IN USG AND INDUSTRY). U.S. STATEMENT WAS TAKEN BY THE CHAIRMAN (EXECUTIVE DIRECTOR OF THE ICCO, U.K. HACKMAN) AS VERY OPTIMISTIC. ATTITUDE TOWARD US PARTICIPATION IN PREPCON ON PART OF MOST MEMBERS WAS VERY POSITIVE.

6. IN ACCORD WITH OUR DECISION NOT TO TAKE INITIATIVES AT THIS POINT, BUT TO PARTICIPATE IN A CONSTRUCTIVE AND NONCOMMITTAL MANNER, WE OUTLINED OUR MAJOR AREAS OF CONCERN IN THE SMALL WORKING PARTY OF CONSUMERS. THIS LIMITED OFFICIAL USE
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GROUP AUTHORIZED THE U.K. DELEGATE TO DRAFT A PAPER REQUIRING FURTHER STUDY BY IMPORTER GOVERNMENTS. THE PAPER WILL BE CARRIED HOME BY IMPORTERS ON AN INFORMAL BASIS AND NOT BE CIRCULATED TO EXPORTERS. AS IT TURNED OUT, MOST CONCERNS EXPRESSED BY THE U.S. DEL WERE INCLUDED IN THE PAPER, INCLUDING: THE NEED FOR REDISTRIBUTION OF BASIC QUOTAS TO TAKE ACCOUNT OF RECENT DEVELOPMENTS AND MAKE THEM REALISTIC; THE NEED TO STUDY A WIDER PRICE RANGE AROUND AN ESTIMATED TREND; AND THE NEED TO STUDY THE ABSENCE OF A LINKAGE BETWEEN EXPORT PRICES AND FARMER INCOMES. THE NEED FOR A BROADER PRICE BAND RECEIVED WIDE SUPPORT FROM CONSUMERS--IN THE WORKING PARTY, IN THE CONSUMER CAUCUS AND IN PLENARY. THE WORKING PARTY PROVIDED A GOOD, LOW KEY FORUM FOR THE EXPRESSION OF GENERAL U.S. CONCERNS WITH THE AGREEMENT. THE PAPER PRODUCED WILL HOPEFULLY ENCOURAGE DEVELOPMENT OF MORE COMPLETE IMPORTER IDEAS ON WHAT CHANGES ARE NEEDED IN THE AGREEMENT BY THE TIME THE NEGOTIATING CONFERENCE OPENS.

7. PREPCON COMPLETED WORK JUNE 12, WITH SPECIAL SESSION

OF COUNCIL CALLED FOR FOLLOWING DAY TO RATIFY WORK. AT GHANAIAAN SUGGESTION (SUPPORTED BY BELGIUM, UK AND CANADA) OBSERVERS WERE ALSO INVITED TO THIS MEETING (US OBVIOUSLY MAIN OBJECT OF INVITATION, FORMALLY TENDERED BY COUNCIL AND ACCEPTED BY US AND OTHERS, ON JUNE 13). AT COUNCIL SESSION, CHAIRMAN REITERATED THAT A) PREPCON WAS NOT A NEGOTIATION, B) THERE WILL BE OPPORTUNITIES FOR FURTHER SUBMISSION OF PROPOSALS (AND EXPECTATION THAT THEY WILL BE FORTHCOMING), AND C) WORKING PAPER AS APPROVED FOR SUBMISSION TO UNCTAD HIGHLY PRELIMINARY. PROCEDURE AGREED ON FOR DOCUMENTATION WAS THAT ICCO SHOULD NOT ONLY DISTRIBUTE TO UNCTAD FOR THEIR LISTS BUT ALSO MAKE SEPARATE DISTRIBUTION TO ICCO MEMBERS (THIS AT INSISTENCE OF FRANCE--GALLOT--WHO MADE CLEAR HIS DOUBTS ABOUT UNCTAD'S EFFICIENCY IN GETTING PAPERS OUT ON TIME).

8. AUGUST SERIES OF MEETINGS SCHEDULED BY COUNCIL IN WHICH US SHOULD PARTICIPATE CONSISTS OF SECOND PREPCON, AUGUST 11-22, INCLUDING STATISTICAL COMMITTEE AND AN ADDITIONAL COUNCIL MEETING. GENEVA CONFERENCE MEETS SEPTEMBER 22-OCTOBER 17, 1975.

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9. FOR ACCRA: RE PARA 3 OF REF (B), USDEL AND FIVE MEMBERS OF THE LARGE GHANAIAAN DELEGATION (AGAMA, KORANTENG, LARKAI, YAMOAH, AMOH, KWAPONG, QUAYE, OSEI AND HESSE) MET FOR LUNCH ON JUNE 13. AGAOA PLAYED A SKILLFUL ROLE DURING MEETINGS AS PRODUCER SPOKESMAN.

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